

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 628 - SB 881

March 8, 2013

SUMMARY OF BILL: Requires any motor vehicle insurer, upon issuing or renewing a motor vehicle policy, to provide notice via electronic submission to the Department of Commerce and Insurance (DCI) within three business days of such renewal or issuance. Such submission is to include: name of insurer; vehicle identification number (VIN), make and year of the insured motor vehicle and policy effective date. Requires the insurer to provide notice to the DCI via electronic submission when a policy is terminated on or before the date coverage ends, or if the insured requests such termination, on the date such request is processed by the insurer. Removes civil liability against the insurer or DCI for providing information, failing to provide information, or erroneously providing information pursuant to this act. Requires the Commissioner of DCI to develop a database that may be utilized by law enforcement officers to determine compliance with the *Financial Responsibility Law* no later than July 1, 2014. Directs DCI to confirm VINs with the Department of Revenue (DOR). If DOR's records do not match, DCI is required to notify the insurer and such insurer is required to correct and resubmit the VIN within five business days of such notification. If the VIN submitted by the insurer is determined by such insurer to be accurate, the insurer is required to notify DOR and the owner of the motor vehicle and the owner will be required to obtain a correction of the VIN from the appropriate county clerk.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$15,700/One-Time
\$3,774,300/Recurring**

Assumptions:

- The DCI must have a motor vehicle liability insurance database operational by July 1, 2014, the effective date of the bill. It is assumed that DCI will begin set-up of the database in FY13-14 to meet the July 1, 2014, deadline.
- According to DOR, there are approximately 6,800,000 vehicles registered in Tennessee and approximately 22 percent ($6,800,000 \times 0.22 = 1,496,000$) are uninsured.
- DCI assumes it will seek a vendor contract for creation of the database.
- Based on estimates provided by two prospective vendors, DCI assumes it would acquire a database vendor for approximately \$0.50 per registered vehicle, resulting in a recurring increase in state expenditures of \$3,400,000 ($6,800,000 \times \0.50).

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- DCI will hire four additional administrative services assistants to work with DOR and one database specialist for technical assistance to assist the vendor to fulfill responsibilities under the bill.
- These positions will result in a one-time increase in state expenditures of \$15,700 [(\$1,140 computers + \$2,000 office landscaping) x 5 positions].
- A recurring increase in state expenditures of \$279,624 for the four administrative services assistants [(\$38,844 salaries + \$5,838 benefits + \$5,999 insurance + \$15,000 admin. cost allocation + \$2,000 computer and phone networking + \$1,625 office lease + \$600 supplies) x 4 positions].
- A recurring increase in state expenditures of \$94,634 for the database specialist [(\$59,580 salaries + \$8,955 benefits + \$5,999 insurance + \$15,000 admin. cost allocation + \$2,000 computer and phone networking + \$2,200 office lease + \$600 supplies) x 1 position].
- The total one-time increase in state expenditures is estimated to be \$15,700 and the recurring increase expenditures is estimated to be \$3,774,258 (\$3,400,000 + \$279,624 + \$94,634).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb